



NEWS RELEASE

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FOR IMMEDIATE RELEASE

FORMER CASSTEL PRESIDENT SENTENCED IN \$8.9 MILLION MAIL, WIRE FRAUD CONSPIRACY

KANSAS CITY, Mo. – Bradley J. Schlozman, United States Attorney for the Western District of Missouri, announced that the former president of the Cass County Telephone Company was sentenced in federal court today for his role in a conspiracy to defraud a federal program that assists rural telephone companies.

Kenneth M. Matzdorff, 49, of Belton, Mo., was sentenced by U.S. District Judge Scott O. Wright this afternoon to one year and three months in federal prison without parole, concurrent with his sentence in the Eastern District of New York.

Matzdorff has already paid a forfeiture of \$2.5 million, which was derived from the conspiracy, to the government. That amount is also part of the court-ordered restitution of \$8.9 million, for which **Matzdorff** is joint and severally liable with **Richard** and **Daniel Martino**, both of New York, who have pleaded guilty and been sentenced for conspiracy to commit mail and wire fraud, in a separate but related case. The **Martinos** have paid \$6.4 million, so that the total restitution amount has been paid to the government. **Matzdorff** also forfeited an additional \$2.5 million as a result of a guilty plea to conspiracy to commit wire fraud and money laundering that was filed in the Eastern District of New York.

On Jan. 18, 2005, **Matzdorff** pleaded guilty to conspiracy to commit mail and wire fraud. **Matzdorff** was formerly the president of Cass County Telephone Company, LP (CassTel), in Peculiar, Mo. CassTel provides telecommunications services to approximately 8,000 customers in Cass County, Mo., as well as a small number of customers in the state of Kansas. CassTel is primarily owned by Local Exchange Company, LLC (LEC), where **Matzdorff** also served as president.

Matzdorff admitted that he participated in a conspiracy from January 1998 to July 2004 to defraud the Universal Service Administrative Company (USAC), which disperses federal

subsidies to rural telephone companies, and the National Exchange Carriers Association (NECA), which handles tariff filings and revenue distribution among carriers. **Matzdorff** and others inflated CassTel's expenses in order to qualify for \$8.9 million in unwarranted subsidies and disbursements, Schlozman explained.

Matzdorff admitted that he and others created false invoices in which Overland Data Center (ODC) – an Overland Park, Kan., company that provides software support and information technology – billed CassTel and LEC approximately \$11 million in consulting and management fees. The total value of actual services performed by ODC, however, is estimated at \$240,000.

Those fictitious ODC expenses, Schlozman explained, were included by CassTel as allowable expenses in cost studies filed with NECA, which collects money from individual telephone companies for access and use of other companies' systems then distributes the funds back to those companies based upon their costs. The false expenses submitted by CassTel resulted in an overpayment by NECA to CassTel of approximately \$5.4 million from 1998 to 2003.

Those fictitious ODC expenses were also included by CassTel as allowable expenses for calculating Universal Service Fund payments to CassTel. The Universal Service Fund was established by the Federal Communications Commission to subsidize high-cost rural telephone systems. Those subsidies are disbursed by USAC to NECA to be paid out to the rural telephone companies. The false expenses submitted by CassTel resulted in an overpayment by USAC to CassTel of approximately \$3.5 million from 1999 to 2004.

This case was prosecuted by Assistant U.S. Attorneys Paul S. Becker, Bruce E. Clark and Jess Michaelson. It was investigated by the Federal Bureau of Investigation and IRS-Criminal Investigation.

This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at
www.usdoj.gov/usao/mow